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## Australia

### Agricultural Situation

### Ag DownUnder Vol. 13

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**Report Highlights:**

- Australia Braces for Possibility of Drought
- Prices, Weather Lower Cotton Production Estimate
- Livestock, Meat Production Affected by Dry Weather
- Australia Considers the Possibility of Grain Imports
- Agriculture Minister Concerned Over Potential "Break Fee" Payment to AWB
- Taiwan Won't Import Australian Stone Fruit, Cherries in 2006/7

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Includes PSD Changes: No  
Includes Trade Matrix: No  
Unscheduled Report  
Canberra [AS1]  
[AS]

### **Australia Braces for Possibility of Drought**

August 2006 was Australia's driest August in the historical record from 1900 and a number of areas of Australia have reported the most severe short-term rainfall deficiencies on record. These short-term rainfall deficiencies further exacerbate the very protracted dry period that most of southern Australia has experienced since late 1996, and eastern Australia since 2002.

If dry conditions were to continue through September and October, the effect on Australian agricultural production would be significant. Potential impact would negatively affect pasture conditions and fodder conservation activities such as hay and silage production. Spring drought would also severely limit winter cereal production, a primary feed source for cattle feedlots. Continued drought in September/October would affect summer crops (sorghum, cotton and rice) and would likely see cattle slaughter increase as producers choose to turn cattle off rather than feed during drought. (For further information see Gain Report AS6054.)

### **Prices, Weather Lower Cotton Production Estimate**

Lower prices combined with poorer water availability and low soil moisture levels have somewhat dampened the production outlook for cotton. Total cotton production for 2006/07 is forecast at 430,000 MT, down sharply on Post's previous forecast. Post anticipates yield at about 1.9 MT per hectare but has forecast planted area to fall dramatically to 225,000 hectares more than 100,000 hectares lower than both the previous forecast and the revised estimate for the previous year. (For further information see Gain Report AS6053.)

### **Livestock, Meat Production Affected by Dry Weather**

Post expects that dry weather from June through September in 2006 will place systemic pressure on Australian livestock industries. Reduced fodder and water reserves as a result of dry conditions will likely see increased turn-off of cattle. Reduced supplies of feed-grain will also likely result in increased turn-off of feedlot cattle over the longer term, although feedlot numbers may increase in the short-term. Despite the expectation of a return to normal weather conditions, Post anticipates slaughter and production to increase, partially at the expense of increased inventory, in the last quarter of 2006 and the first half of 2007.

### **Australia Considers the Possibility of Grain Imports**

A number of inquiries have been received by Australian Quarantine and Inspection Service (AQIS) from feed grain users looking to import grain for the first time since 2003, but no applications have yet been received. "I appreciate the concerns surrounding this issue and understand that there are divergent views from those who support the import of grain and stock feed and those who don't," said Australian Minister for Agriculture, Peter McGauran on September 7. The current policy for imported grain for stock feed is that it must be sourced from countries with a low pest and disease risk profile. The grain must then be transported, stored and processed to denature and sterilize it under strict AQIS supervision. "Obviously interest in importing feed increases when Australia's supply is low and domestic prices are dearer than international prices," Mr. McGauran said. "Australia has previously imported grain. During the 2002-03 drought, grain for stock feed was imported, with maize coming from the United States and wheat from the United Kingdom." AQIS grants import permits for grain on advice from Biosecurity Australia following its assessment of the pest and disease profile of the source country. (Source Farmonline September 8, 2006)

### Agriculture Minister Concerned Over Potential "Break Fee" Payment to AWB

Agriculture Minister Peter McGauran has called for major changes to a services agreement between AWB Limited and AWB International which could impose considerable costs on Australian grain growers. Minister McGauran's announcement comes after revelations that a services agreement between the two organizations would allow AWB Limited to extract a 'break fee' if changes were made to the wheat export monopoly. The Grains Council of Australia (GCA) has raised concerns about the fee after a Wheat Export Authority investigation found there was an undefined and potentially large liability for growers. "We don't believe AWB Limited is entitled to any break fee or damages from changes to management of the single desk that may result from the Cole inquiry," CGA Chairman Murray Jones said. The final report of the Cole inquiry is expected September 29.

AWB International's primary role is to manage the national wheat pool on behalf of growers as a wholly owned subsidiary of AWB Limited. AWB International holds minimal assets and relies on AWB Limited for finance, insurance and all necessary guarantees. The services agreement between AWB Limited and AWB International covers aspects of the financial relationship between the two, including the "break fee". (Source: The Land, September 6, 2006)

### Taiwan Won't Import Australian Stone Fruit, Cherries in 2006/7

It is unlikely that Australian stone fruit and cherries will be allowed to be exported to Taiwan in the 2006/07 season due to the need for additional research on areas of Australia not considered fruit fly free. Australian Parliamentary Secretary for Agriculture, Sussan Ley, expressed disappointment for the decision following her late August visit to Taiwan with an Australian horticultural delegation. However, Ms. Ley remained "hopeful of the trade reopening in time for the 2007/8 season." The Taiwan market has been closed to a number of Australian horticultural exports since January 1, 2006 after Taiwan raised concerns about Queensland fruit fly. Since then, Australia negotiated a protocol for fresh fruit exports which includes Taiwan's acceptance of cold storage treatment of citrus, table grapes and kiwifruit and designation of Tasmania as an area free of fruit fly. (Source: DAFF 05/56SL Media Release)

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